

**TRANSPORTATION**

EXECUTIVE BUDGET BILL

A bill to make appropriations for the state transportation department and certain transportation purposes for the fiscal year ending September 30, 2004; to provide for the imposition of fees; to provide for reports; to create certain funds and programs; to prescribe requirements for certain railroad and bus facilities; to prescribe certain powers and duties of certain state departments and officials and local units of government; and to provide for the expenditure of the appropriations.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. Subject to the conditions set forth in this bill, the amounts listed in this part are appropriated for the state transportation department and certain state purposes designated in this bill for the fiscal year ending September 30, 2004, from the funds indicated in this part. The following is a summary of the appropriations in this part:

**STATE TRANSPORTATION DEPARTMENT**

APPROPRIATION SUMMARY:

Full-time equated unclassified positions .....	6.0	
Full-time equated classified positions .....	3,069.3	
GROSS APPROPRIATION .....	\$	3,199,989,200
Total interdepartmental grants and		
intradepartmental transfers.....		0

ADJUSTED GROSS APPROPRIATION .....	\$	3,199,989,200
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Federal revenues:

Total federal revenues .....	965,255,100
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Special revenue funds:

Total local revenues .....	5,800,000
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Total private revenues .....	0
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Total other state restricted revenues .....	2,228,934,100
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State general fund/general purpose .....	\$	0
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**Sec. 102. DEBT SERVICE**

State trunkline .....	\$	79,246,800
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Economic development .....	16,804,800
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Critical bridge .....	3,000,000
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Blue Water Bridge .....	2,503,600
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Airport safety, protection, and improvement .....	5,000,000
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Comprehensive transportation .....	<u>28,720,500</u>
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GROSS APPROPRIATION .....	\$	135,275,700
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Appropriated from:

Federal revenues:

DOT-FHWA, highway research, planning, and construction .	24,000,000
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Special revenue funds:

Comprehensive transportation fund .....	28,720,500
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Michigan transportation fund .....	3,000,000
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State trunkline fund .....	55,246,800
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Blue Water Bridge fund .....	2,503,600
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Economic development fund .....	16,804,800
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State aeronautics fund .....	5,000,000
State general fund/general purpose .....	\$ 0

**Sec. 103. INTERDEPARTMENT AND STATUTORY CONTRACTS**

MTF grant to department of environmental quality .....	\$ 884,800
MTF grant to department of state for collection of revenue and fees .....	90,683,000
MTF grant to department of state for commemorative and specialty plates .....	4,069,300
MTF grant to legislative auditor general .....	181,100
MTF grant to department of treasury .....	8,561,000
STF grant to department of attorney general .....	2,566,200
STF grant to department of civil service .....	2,000,000
STF grant to department of management and budget .....	1,434,000
STF grant to department of state police .....	6,853,300
STF grant to department of history, arts, and libraries	128,100
STF grant to department of treasury .....	29,100
STF grant to legislative auditor general .....	371,100
SAF grant to department of attorney general .....	125,400
SAF grant to department of civil service .....	50,000
SAF grant to department of management and budget .....	39,400
SAF grant to department of history, arts, and libraries	3,500
SAF grant to department of treasury .....	62,600
SAF grant to legislative auditor general .....	16,600
CTF grant to department of attorney general .....	131,500
CTF grant to department of civil service .....	90,000

CTF grant to department of management and budget .....	65,800
CTF grant to department of history, arts, and libraries	5,900
CTF grant to department of treasury .....	5,300
CTF grant to legislative auditor general .....	<u>47,400</u>
GROSS APPROPRIATION .....	\$ 118,404,400

Appropriated from:

Special revenue funds:

Comprehensive transportation fund .....	345,900
Michigan transportation fund .....	104,379,200
State aeronautics fund .....	297,500
State trunkline fund .....	13,381,800
State general fund/general purpose .....	\$ 0

#### **Sec. 104. EXECUTIVE DIRECTION**

Full-time equated unclassified positions ..... 6.0

Full-time equated classified positions ..... 33.3

Unclassified salaries .....	\$ 532,200
Asset management council .....	1,626,400
Commission audit-33.3 FTE positions .....	<u>2,948,400</u>
GROSS APPROPRIATION .....	\$ 5,107,000

Appropriated from:

Special revenue funds:

Michigan transportation fund .....	1,626,400
State trunkline fund .....	3,480,600
State general fund/general purpose .....	\$ 0

#### **Sec. 105. ADMINISTRATIVE SERVICES**

Full-time equated classified positions .....	70.5	
Administration—30.5 FTE positions .....		\$ 3,089,300
Property management .....		6,921,500
Human resources—31.0 FTE positions .....		2,478,300
Economic development administration—9.0 FTE positions ..		759,500
Worker's compensation .....		<u>3,136,000</u>
GROSS APPROPRIATION .....	\$	16,384,600

Appropriated from:

Special revenue funds:

Economic development fund .....	500,700
State aeronautics fund .....	630,400
Comprehensive transportation fund .....	1,382,900
Michigan transportation fund .....	81,500
State trunkline fund .....	13,789,100
State general fund/general purpose .....	\$ 0

#### **Sec. 106. INFORMATION TECHNOLOGY**

Information technology services and projects .....	<u>\$ 26,135,800</u>
GROSS APPROPRIATION .....	\$ 26,135,800

Appropriated from:

Federal revenues:

DOT-FHWA, highway research, planning, and construction .	555,100
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Special revenue funds:

Blue Water Bridge fund .....	43,900
Comprehensive transportation fund .....	240,900
Economic development fund .....	37,100

Michigan transportation fund .....	35,200
State aeronautics fund .....	134,500
State trunkline fund .....	25,089,100
State general fund/general purpose .....	\$ 0

**Sec. 107. BUREAU OF FINANCE AND ADMINISTRATION**

Full-time equated classified positions .....	271.5
Administration-271.5 FTE positions .....	\$ <u>21,839,900</u>
GROSS APPROPRIATION .....	\$ 21,839,900

Appropriated from:

Special revenue funds:

Michigan transportation fund .....	1,127,500
State trunkline fund .....	20,712,400
State general fund/general purpose .....	\$ 0

**Sec. 108. BUREAU OF TRANSPORTATION PLANNING**

Full-time equated classified positions .....	173.0
Administration-173.0 FTE positions .....	\$ 23,501,700
Grants to regional planning councils .....	<u>488,800</u>
GROSS APPROPRIATION .....	\$ 23,990,500

Appropriated from:

Federal revenues:

DOT-FHWA, highway research, planning, and construction .	16,000,000
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Special revenue funds:

State aeronautics fund .....	195,700
Comprehensive transportation fund .....	1,033,300
Michigan transportation fund .....	5,233,800

State trunkline fund .....	1,527,700
State general fund/general purpose .....	\$ 0

**Sec. 109. BUREAU OF HIGHWAYS**

Full-time equated classified positions .....	1,635.4
Engineering operations—924.4 FTE positions.....	\$ 39,757,100
Maintenance operations—77.0 FTE positions.....	6,928,300
Program services—634.0 FTE positions .....	<u>29,998,000</u>
GROSS APPROPRIATION .....	\$ 76,683,400

Appropriated from:

Federal revenues:

DOT-FHWA, highway research, planning, and construction .	5,000,000
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Special revenue funds:

Michigan transportation fund .....	3,901,700
State trunkline fund .....	67,781,700
State general fund/general purpose .....	\$ 0

**Sec. 110. HIGHWAY MAINTENANCE**

Full-time equated classified positions .....	692.6
State trunkline operations—692.6 FTE positions.....	\$ <u>234,028,600</u>
GROSS APPROPRIATION .....	\$ 234,028,600

Appropriated from:

Special revenue funds:

State trunkline fund .....	234,028,600
State general fund/general purpose .....	\$ 0

**Sec. 111. ROAD AND BRIDGE PROGRAMS**

State trunkline federal aid and road and bridge

construction .....	\$	961,340,100
Local federal aid and road and bridge construction .....		226,500,000
Grants to local programs .....		33,000,000
Rail grade crossing .....		3,000,000
Critical bridge program .....		5,750,000
County road commissions .....		637,523,400
Cities and villages .....		<u>355,447,800</u>
GROSS APPROPRIATION .....	\$	2,222,561,300

Appropriated from:

Federal revenues:

DOT-FHWA, highway research, planning, and construction .	864,000,000
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Special revenue funds:

Local funds .....	5,000,000
Blue Water Bridge fund .....	3,000,000
Michigan transportation fund .....	1,033,971,200
State trunkline fund .....	316,590,100
State general fund/general purpose .....	\$ 0

**Sec. 112. BLUE WATER BRIDGE**

Full-time equated classified positions ..... 33.0

Blue Water Bridge operations—33.0 FTE positions .....	\$	<u>10,265,500</u>
GROSS APPROPRIATION .....	\$	10,265,500

Appropriated from:

Special revenue funds:

Blue Water Bridge fund .....	10,265,500
State general fund/general purpose .....	\$ 0



**Sec. 113. TRANSPORTATION ECONOMIC DEVELOPMENT FUND**

Forest roads .....	\$	5,000,000
Rural county urban system .....		2,500,000
Target industries/economic redevelopment .....		11,466,200
Urban county congestion .....		3,983,100
Rural county primary .....		<u>3,983,100</u>
GROSS APPROPRIATION .....	\$	26,932,400

Appropriated from:

Special revenue funds:

Economic development fund .....		26,932,400
State general fund/general purpose .....	\$	0

**Sec. 114. BUREAU OF AERONAUTICS**

Full-time equated classified positions ..... 56.0

Administration-56.0 FTE positions .....	\$	5,918,900
Air service program .....		<u>600,000</u>
GROSS APPROPRIATION .....	\$	6,518,900

Appropriated from:

Special revenue funds:

State aeronautics fund .....		6,518,900
State general fund/general purpose .....	\$	0

**Sec. 115. BUREAU OF URBAN AND PUBLIC TRANSPORTATION**

Full-time equated classified positions ..... 104.0

Administration-104.0 FTE positions .....	\$	<u>8,388,800</u>
GROSS APPROPRIATION .....	\$	8,388,800

Appropriated from:

Special revenue funds:

Comprehensive transportation fund .....	6,691,400
Michigan transportation fund .....	1,697,400
State general fund/general purpose .....	\$ 0

**Sec. 116. BUS TRANSIT DIVISION: STATUTORY OPERATING**

Local bus operating .....	\$ 160,000,000
Nonurban operating/capital .....	<u>10,900,000</u>
GROSS APPROPRIATION .....	\$ 170,900,000

Appropriated from:

Federal revenues:

DOT, federal transit act .....	10,700,000
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Special revenue funds:

Local funds .....	200,000
Comprehensive transportation fund .....	160,000,000
State general fund/general purpose .....	\$ 0

**Sec. 117. INTERCITY PASSENGER AND FREIGHT**

Freight property management .....	\$ 1,500,000
Detroit/Wayne County port authority .....	500,000
Intercity bus equipment .....	3,000,000
Rail passenger service .....	11,300,000
Freight preservation and development .....	5,692,900
Rail infrastructure loan program .....	100,000
Intercity bus service development .....	2,950,000
Marine passenger service .....	800,000
Terminal development .....	<u>2,884,800</u>

GROSS APPROPRIATION .....	\$	28,727,700
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Appropriated from:

Federal revenues:

DOT, federal transit act .....	1,600,000
DOT-FRA, local rail service assistance .....	100,000
DOT-FRA, rail passenger/HSGT .....	3,000,000

Special revenue funds:

Local funds .....	50,000
Rail preservation fund .....	2,000,000
Intercity bus equipment fund .....	1,000,000
Comprehensive transportation fund .....	20,977,700
State general fund/general purpose .....	\$ 0

**Sec. 118. PUBLIC TRANSPORTATION DEVELOPMENT**

Specialized services .....	\$ 3,939,500
Municipal credit program .....	2,000,000
Bus capital .....	53,049,500
Ride sharing .....	330,700
Van pooling .....	195,000
Bus property management .....	50,000
Service development and new technology .....	1,550,000
Planning grants .....	80,000
Audit settlements .....	150,000
Regional service coordination .....	500,000
Work first initiative .....	<u>6,000,000</u>
GROSS APPROPRIATION .....	\$ 67,844,700

Appropriated from:

Federal revenues:

DOT, federal transit act .....	40,300,000
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Special revenue funds:

Local funds .....	550,000
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Comprehensive transportation fund .....	26,994,700
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State general fund/general purpose .....	\$ 0
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**GENERAL SECTIONS**

Sec. 201. Pursuant to section 30 of article IX of the state constitution of 1963, total state spending from state resources under part 1 for year 2003-2004 is \$2,228,934,100.00 and state spending from state resources to be paid to units of local government for fiscal year 2003-2004 is \$1,234,759,000.00. The itemized statement below identifies appropriations from which spending to units of local government will occur:

**DEPARTMENT OF TRANSPORTATION**

Local grant program .....	\$ 33,000,000
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Forest roads .....	5,000,000
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Rural county urban system .....	2,500,000
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Target industries/economic redevelopment .....	5,733,100
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Urban county congestion .....	3,983,100
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Rural county primary .....	3,983,100
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Grants to cities and villages .....	355,447,800
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Grants to county road commissions .....	637,523,400
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Critical bridge program .....	5,750,000
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Grants to regional planning councils .....	488,800
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Local bus operating .....	160,000,000
Bus capital.....	13,699,500
Marine passenger service .....	800,000
Detroit/Wayne County port authority .....	500,000
Local ride sharing operating grants .....	330,700
Planning grants .....	80,000
Municipal credit program .....	2,000,000
Specialized services .....	<u>3,939,500</u>
Total payments to local units of government .....	\$ 1,234,759,000

Sec. 202. The appropriations authorized under this bill are subject to the management and budget act, 1984 PA 431, MCL 18.1101 to 18.1594.

Sec. 203. As used in this bill:

- (a) "CTF" means comprehensive transportation fund.
- (b) "Department" means the department of transportation.
- (c) "DOT" means the United States department of transportation.
- (d) "DOT-FHWA" means DOT, federal highway administration.
- (e) "DOT-FRA" means DOT, federal railroad administration.
- (f) "DOT-FRA, rail passenger/HSGT" means DOT, federal railroad administration, high-speed ground transportation.
- (g) "EDF" means economic development fund.
- (h) "FTE" means full-time equated.
- (i) "MTF" means Michigan transportation fund.
- (j) "RIF" means recreation improvement fund.
- (k) "SAF" means state aeronautics fund.
- (l) "STF" means state trunkline fund.

Sec. 204. The department of civil service shall bill departments and agencies at the end of the first fiscal quarter for the 1% charge authorized by section 5 of article XI of the state constitution of 1963. Payments shall be made for the total amount of the billing by the end of the second fiscal quarter.

Sec. 205. (1) A hiring freeze is imposed on the state classified civil service. State departments and agencies are prohibited from hiring any new state classified civil service employees and prohibited from filling any vacant state classified civil service positions. This hiring freeze does not apply to internal transfers of classified employees from 1 position to another within a department.

(2) The state budget director shall grant exceptions to this hiring freeze when the state budget director believes that the hiring freeze will result in rendering a state department or agency unable to deliver basic services, cause a loss of revenue to the state, result in the inability of the state to receive federal funds, or necessitate additional expenditures that exceed any savings from maintaining a vacancy. The state budget director shall report quarterly to the chairpersons of the senate and house of representatives standing committees on appropriations the number of exceptions to the hiring freeze approved during the previous quarter and the reasons to justify the exception.

Sec. 206. (1) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$200,000,000.00 for federal contingency funds. These funds are not available for expenditure until they have been

transferred to another line item in this bill pursuant to section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(2) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$40,000,000.00 for state restricted contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill pursuant to section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(3) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$1,000,000.00 for local contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill pursuant to section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

(4) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$1,000,000.00 for private contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill pursuant to section 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

Sec. 208. Unless otherwise specified, the department shall use the Internet to fulfill the reporting requirements of this bill. This requirement may include transmission of reports via electronic mail to the recipients identified for each reporting requirement, or it may include placement of reports on an Internet or Intranet site.

Sec. 209 (1) In addition to the amounts appropriated in part 1, in order to encourage administrative efficiencies, there is appropriated to the department of transportation, an amount not to exceed one-half of the unexpended,

unreserved general fund portions of fiscal year 2002-2003 appropriations made to the department for salaries and wages expenses, contractual services, supplies and materials expenses, information technology expenses and program operations costs.

(2) The appropriations contained in subsection 1 are subject to the approval of the state budget director and shall be spent for the same purposes for which the original appropriation was made in fiscal year 2002-2003.

Sec. 259. From the funds appropriated in part 1 for information technology, the department shall pay user fees to the department of information technology for technology-related services and projects. Such user fees shall be subject to provisions of an interagency agreement between the department and the department of information technology.

Sec. 260. Amounts appropriated in part 1 for information technology may be designated as work projects and carried forward to support department of transportation projects under the direction of the department of information technology. Funds designated in this manner are not available for expenditure until approved as work projects under section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a.

#### **DEPARTMENTAL SECTIONS**

Sec. 301. (1) The department may establish a fee schedule and collect fees sufficient to cover the costs to issue the permits that the department is authorized by law to issue upon request, and for which fees are not otherwise stipulated by law. All permit fees are nonrefundable application fees and shall be credited to the state trunkline fund to recover the direct and indirect costs of receiving, reviewing, and processing the requests.



(2) A bridge authority shall hold 3 public hearings on a change in any toll charged by the authority at least 30 days before the toll change will become effective. Two of the hearings shall be held within 5 miles of the bridge over which the bridge authority has jurisdiction. One hearing shall be held in Lansing.

Sec. 304. If, as a requirement of bidding on a highway project, the department requires a contractor to submit financial or proprietary documentation as to how the bid was calculated, that bid documentation shall be kept confidential and shall not be disclosed other than to a department representative without the contractor's written consent. The department may disclose the bid documentation if necessary to address or defend a claim by a contractor.

Sec. 305. The department may permit space on public passenger transportation properties to be occupied by public or private tenants on a competitive market rate basis. The department may require that revenue from the tenants be placed in an account to be used to pay the costs to maintain and improve the property.

Sec. 306. Biennially, the auditor general shall conduct an audit of charges to the Michigan transportation fund by state departments for the two proceeding fiscal years, with the first such audit including the fiscal years ending September 30, 2003 and September 30, 2004. The auditor general shall prepare a detailed report, with recommendations and conclusions, including a list of services charged to the Michigan transportation fund, the appropriateness of those charges, and the cost allocation methodologies used in determining the level of funding, and any unreimbursed costs, and provide

the report, upon request, to any member of the senate and house of representatives, senate and house fiscal agencies, and the state budget director six months after publication of the State of Michigan comprehensive annual financial report.

Sec. 307. Before February 1 of each year, the department will provide to the legislature, the state budget office, and the house and senate fiscal agencies its rolling 5-year plan listing by county or by county road commission all highway construction projects for the fiscal year and all expected projects for the ensuing fiscal years.

Sec. 308. The department and local road agencies that receive appropriations under this bill shall pursue compliance with contract specifications for construction and maintenance of state highways and local roads and streets. Work shall not be accepted and paid for until it complies with contract requirements. Contractors with unsatisfactory performance ratings shall be restricted from future bidding through the prequalification process established by the department or a local road agency. The department, county road commissions, and cities and villages shall report to the house of representatives and senate appropriations subcommittees on transportation on their respective activities under this section.

Sec. 309. The department shall continue its efforts to reduce administrative costs and provide the maximum funding possible for construction projects.

Sec. 310. The department shall provide in a timely manner copies of the agenda and approved minutes of monthly transportation commission meetings to the members of the house and senate appropriations subcommittees on

transportation, the house and senate fiscal agencies, and the state budget director.

Sec. 311. The department shall not use funds appropriated under part 1 on behalf of a local governmental unit to pay the amount required for that local governmental unit to participate in the federal advance construction program.

Sec. 312. At the close of the fiscal year ending September 30, 2004, any unencumbered and unexpended balance in the state trunkline fund shall remain in the state trunkline fund and shall carry forward and is appropriated for federal aid road and bridge programs for projects contained in the annual state transportation program.

Sec. 313. (1) From funds appropriated in part 1, the department may increase a state infrastructure bank program and grant or loan funds in accordance with regulations of the state infrastructure bank program of the United States department of transportation. The state infrastructure bank is to be administered by the department for the purpose of providing a revolving, self-sustaining resource for financing transportation infrastructure projects.

(2) In addition to funds provided in subsection (1), money received by the state as federal grants, repayment of state infrastructure bank loans, or other reimbursement or revenue received by the state as a result of projects funded by the program and interest earned on that money shall be deposited in the revolving state infrastructure bank fund and shall be available for transportation infrastructure projects. At the close of the fiscal year, any funds remaining in the state infrastructure bank fund shall remain in the fund and be carried forward into the succeeding fiscal year.

Sec. 318. The department shall continue its program to increase the use of women- and minority-owned businesses in state and local road construction projects. This program shall comprise, at a minimum, outreach and education efforts to inform women- and minority-owned firms of department competitive bidding processes and requirements, and an assessment of the availability of surety for women- and minority-owned businesses.

**FEDERAL**

Sec. 402. (1) Twenty-three to twenty-seven percent of the DOT-FHWA, highway research, planning, and construction federal funds appropriated in part 1 shall be allocated to programs administered by local jurisdictions after deduction of the following:

(a) Funds that are specifically allocated at the federal level to the state or local jurisdictions.

(b) Funds allocated by the department to the state and to local jurisdictions through a competitive process.

(2) Federal aid excluded from the calculation of funding allocated to programs administered by local jurisdictions in subsection (1) includes, but is not limited to, congestion mitigation and air quality funds, federal bridge funds, transportation enhancement funds, funds distributed at the discretion of the United States secretary of transportation, and congressionally designated funds.

(3) The funds shall be distributed to eligible local agencies for transportation purposes in a manner consistent with state and federal law.

(4) Federal aid to highways allocated to local jurisdictions in subsection (1) shall be distributed in a manner that produces a 25% average

allocation of applicable funds to programs for local jurisdictions in each fiscal year through the fiscal year ending September 30, 2005. The average allocation of applicable federal aid to highway funds to programs for local jurisdictions shall be the average of the amount distributed to local jurisdictions under subsection (1) and similarly calculated distributions in each succeeding fiscal year.

(5) The allocation percentage described in subsection (1) shall be adjusted to reflect any voluntary agreements made by the department with local jurisdictions regarding the transfer of federal aid eligible roadways or the state buyout of local federal aid.

(6) The department shall not borrow against the critical bridge fund for the first 9 months of the fiscal year.

(7) The federal funds appropriated in part 1 for local federal aid and road and bridge construction, to eligible local road agencies, may be transferred through a voluntary buyout agreement made between eligible local road agencies.

#### **MICHIGAN TRANSPORTATION FUND**

Sec. 501. The money received under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43, and not appropriated to the department of consumer and industry services or the department of state police is deposited in the Michigan transportation fund.

Sec. 502. The department of treasury shall perform audits and make investigations of the disposition of all state funds received by county road commissions or county boards of commissioners, as applicable, and cities and villages for transportation purposes to determine compliance with the terms

and conditions of 1951 PA 51, MCL 247.651 to 247.675. County road commissions or county boards of commissioners, as applicable, and cities and villages shall make available to the department of treasury the pertinent records for the audit.

Sec. 503. (1) The funds appropriated in part 1 for the economic development and critical bridge programs shall not lapse at the end of the fiscal year but shall carry forward each fiscal year for the purposes for which appropriated in accordance with 1987 PA 231, MCL 247.901 to 247.913, and section 11b of 1951 PA 51, MCL 247.661b.

(2) Interest earned in the department of transportation economic development fund and critical bridge fund shall remain in the respective funds and shall be allocated to the respective programs based on actual interest earned at the end of each fiscal year.

(3) The department of transportation economic development fund and critical bridge fund may receive and expend federal, local, or private funds or restricted source funds such as interest earnings for projects that are consistent with the programmatic mission of the respective funds in addition to funds appropriated in part 1.

(4) None of the funds statutorily dedicated to the transportation economic development fund and critical bridge fund shall be diverted to other projects.

Sec. 504. (1) Funds from the Michigan transportation fund (MTF) shall be distributed to the comprehensive transportation fund (CTF), the economic development fund (EDF), the recreational improvement fund (RIF), and the state trunkline fund (STF), in accordance with this act and part 711 of the natural

resources and environmental protection act, 1994 PA 451, MCL 324.71101 to 324.71108, and may only be used as specified in this act, 1951 PA 51, MCL 247.651 to 247.675, and part 711 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.71101 to 324.71108.

(2) The amounts appropriated and transferred to various state agencies from part 1 shall be expended from the transportation funds pursuant to annual contracts between the department and state agencies providing tax and fee collection and other services applicable to transportation. The contracts shall be executed prior to the transfer of these funds. The contracts shall provide, but are not limited to, the following data applicable to each state agency:

(a) Estimated costs to be recovered from transportation funds.

(b) Description of services financed with transportation funds.

(c) Detailed cost allocation methods that are appropriate to the type of services being provided and the activities financed with transportation funds.

(3) Two months after publication of the State of Michigan comprehensive annual financial report each state agency receiving an interdepartment and statutory contract from the department shall submit a written report to the department, the state budget director, and the house and senate fiscal agencies stating by spending authorization account the amount of funds appropriated from transportation funds, the amount of estimated funds contracted with the department, the amount of funds expended, the amount of funds returned to the transportation funds, and any unreimbursed transportation-related costs incurred but not billed to the transportation

funds. A copy of the report shall be submitted to the auditor general and the report shall be subject to audit by the auditor general.

(4) In addition to subsection (2), the department is authorized to receive billings from other state agencies that provide transportation-related services and to make payments from the Michigan transportation fund, comprehensive transportation fund, economic development fund, state aeronautics fund, and state trunkline fund as determined by the department based on allowable expenditures and verification by the department.

Sec. 505. (1) Of the amount appropriated in part 1 from the Michigan transportation fund to the department of state, \$186,600.00 represents the additional cost of issuing specialized license plates for veterans and national guard members, as included in sections 803i, 803j, 803k, and 803l of the Michigan vehicle code, 1949 PA 300, MCL 257.803i, 257.803j, 257.803k, and 257.803l, and \$187,600.00 represents the additional cost of issuing generic license plates for nonprofit fraternal or public service organizations, as included in section 803m of the Michigan vehicle code, 1949 PA 300, MCL 257.803m.

(2) In addition, commemorative and specialty license plate fee revenue collected by the department of state and deposited into the Michigan transportation fund is authorized for expenditure by the department of state up to the amount of revenue collected, but not to exceed \$2,147,300.00 for commemorative plates and \$1,922,000.00 for specialty plates. These amounts are appropriated to the department of state in part 1 to administer the commemorative and specialty license plate programs pursuant to section 225 of the Michigan vehicle code, 1949 PA 300, MCL 257.225.



(3) The department of state shall prepare an annual report on the number of, and the additional costs associated with, these license plate programs to the department, the state budget director, the house and senate fiscal agencies, and the chairpersons of the house of representatives and senate appropriations subcommittees on transportation.

(4) Any unspent funds based on these annual reports shall lapse to the Michigan transportation fund and be distributed in accordance with 1951 PA 51, MCL 247.651 to 247.675.

#### **STATE TRUNKLINE FUND**

Sec. 601. The department shall work with the road construction industry and engineering consulting community to develop performance and road construction warranties for construction contracts. The development of warranties shall include warranties on materials, workmanship, performance criteria, and design/build projects. The department will report by September 30, 2004 to the house of representatives and senate appropriations subcommittees on transportation, the state budget office, and the house and senate fiscal agencies on the status of efforts to develop performance and road construction warranties.

#### **COMPREHENSIVE TRANSPORTATION FUND**

Sec. 701. Money that is received by the state as a lease payment for state-owned intercity bus equipment is not money to be deposited in the comprehensive transportation fund under section 10b of 1951 PA 51, MCL 247.660b, but is money that is deposited in an intercity bus equipment fund for appropriation for the purchase and repair of intercity bus equipment. Proceeds received by the state from the sale of intercity bus equipment are

deposited in an intercity bus equipment fund for appropriation for the purchase and repair of intercity bus equipment. Security deposits from the lease of state-owned intercity bus equipment not returned to the lessee of the equipment under terms of the lease agreement are deposited in an intercity bus equipment fund for appropriation for the repair of intercity bus equipment.

Sec. 702. Money that is received by the state as repayment for loans made for rail or water freight capital projects, and as a result of the sale of property or equipment used or projected to be used for rail or water freight projects shall be deposited in the fund created by section 17 of the state transportation preservation act of 1976, 1976 PA 295, MCL 474.67.

Sec. 706. The Detroit/Wayne County port authority shall issue a complete operations assessment and a financial disclosure statement. The operations assessment shall include operational goals for the next 5 years and recommendations to improve land acquisition and development efficiency. The report shall be completed and submitted to the house of representatives and senate appropriations subcommittees on transportation, the state budget office, and the house and senate fiscal agencies by February 15, 2004.

Sec. 707. For the fiscal year ending September 30, 2004, each eligible authority and each eligible governmental agency which provides public transportation services in urbanized areas with a Michigan population of less than or equal to 100,000 and nonurbanized areas under section 5311 of title 49 of the United States Code, 49 U.S.C. 5311, shall receive a grant of up to 60% of its eligible operating expenses. Each eligible authority and each eligible government agency which provides public transportation services in urbanized areas with a Michigan population of greater than 100,000 under section 5307 of

title 49 of the United States Code, 49 U.S.C. 5307, shall receive a grant of up to 50% of its eligible operating expenses.

Sec. 710. Whenever possible, the department shall work with the local transit agencies to avoid establishing new routes that duplicate existing routes served by intercity carriers when providing services under regional transportation service programs. It is preferable that private intercity carriers be provided an opportunity to bid by local public transit agencies on services funded through the regional transportation service program.

Sec. 711. (1) From the funds appropriated in part 1 from the comprehensive transportation fund for rail passenger service, the department shall negotiate with a rail carrier to provide rail service between Grand Rapids and Chicago and between Port Huron and Chicago on a 7-day basis, consistent with the other provisions of this section.

(2) The department shall work with the rail carrier, local communities, and the federal government to increase marketing efforts to promote awareness of rail passenger service, to increase ridership, to reduce operating subsidies in conjunction with the federal phaseout of operating subsidies, to maximize the revenue of the rail passenger lines in Michigan, and to improve on-time performance. The department shall submit a report to both the house and senate appropriations committees and the house and senate fiscal agencies by January 1, 2004, that provides a 5-year history on services, ridership, and subsidies.

(3) Future state support for the service between Grand Rapids and Chicago and Port Huron and Chicago is dependent on the department's ability to provide a plan and a contract for services that increase ridership and

revenue, reduce operating costs, and improve on-time performance. The department shall include a section in the report required in subsection (2) detailing efforts to reduce the dependence on state operating subsidies and projected operating expenses for the next 2 years, and recommending service alternatives, for the Grand Rapids to Chicago service and the Port Huron to Chicago service.

(4) Any state subsidy shall only provide for the direct operating costs in Michigan and shall not exceed \$5,700,000.00 for the service between Port Huron and Chicago and Grand Rapids and Chicago.

(5) The rail carrier shall, as a condition to receiving a state operating subsidy, establish a system to monitor, collect, and resolve customer complaints and shall make the information available to the department, the house and senate appropriations subcommittees on transportation, and to the house and senate fiscal agencies.

(6) The carrier shall provide information to the department identifying direct and indirect operating costs prior to receiving any state funding. The carrier shall provide the department an accounting of actual costs for the previous year by November 30th of the current fiscal year.

Sec. 714. The department, in cooperation with local transit agencies, shall work to ensure that demand-response services are provided throughout Michigan. The department shall continue to work with local units of government to address the unmet transit needs in Michigan.

Sec. 719. The department may provide advances to local road authorities from the rail grade crossing account pursuant to section 11(1)(g) of 1951 PA 51, MCL 247.661, for the construction of grade separations. Money that is

received by the state as a repayment of the advance, including interest on the advance, shall be returned to the rail grade crossing account and be available for the local grade crossing program for advances for the construction of grade separations pursuant to section 11(1)(g) of 1951 PA 51, MCL 247.661.

Sec. 721. For federal transit administration bus acquisition capital grants matched with CTF funds appropriated in part 1, transit agencies shall have 4 years from the federal approval date to carry out their projects. Contract line items unobligated 4 years after the federal approval date may be matched with CTF funds only up to 15% in the fifth and subsequent years. "Unobligated" means any line item in the contract that is not committed to a third party or purchase order. A waiver shall be granted by the department for an additional year with documented justification from the transit agency accompanied by a resolution from the board or authority seeking a waiver. If a transit agency does not carry out a line item activity in a specific authorization and the transit agency requests funds in a new authorization for that same activity, the line item shall be matched at up to 15%. This section applies only to bus acquisition capital grants. Lapsed funds under this section shall remain in the CTF.

#### **AERONAUTICS FUND**

Sec. 801. At the close of the fiscal year ending September 30, 2004, any unobligated and unexpended balance in the state aeronautics fund created in the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, shall lapse to the state aeronautics fund and be appropriated by the legislature in the immediately succeeding fiscal year.

Sec. 802. State aeronautics funds appropriated in part 1 for airport safety and protection plan debt service are transferred to the comprehensive transportation fund and are appropriated for the purpose of reimbursing comprehensive transportation fund debt service obligations for the airport safety and protection plan program.